

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

BOARD OF DIRECTORS

MINUTES OF JULY 26, 2004 MEETING

Board Members Present: Senator Daniel Connors (Chair), Robert Batting (Vice-Chair), RIDOT Director James Capaldi, Representative Brian Coogan, Thomas Deller, Sharon Conard Wells and William Kennedy.

Also Present: Alfred J. Moscola (General Manager), Steven M. Richard (Outside General Counsel), Stacie Collier (Outside Labor Counsel), Henry Kinch, Deborah Dawson, Maureen Neira, Mark Therrien, Roger Mencarini, Ellen Farrell and other members of RIPTA's senior staff and the public whose names are listed on the meeting sign-in sheet.

Agenda Item 1: Approval of Minutes of May 17, 2004 meeting

Senator Connors requested comments regarding the minutes of the June 21, 2004 meeting. Mr. Deller moved for the approval of the minutes, which Mr. Batting seconded. The Board unanimously approved the minutes.

Agenda Item 2: General Manager's Report

Alfred Moscola, RIPTA's General Manager, reported that RIPTA achieved strong operational results under its performance measures for the months of April and May. He informed the Board that RIPTA has placed 19 new Orion buses into service and expects to receive 5 additional Orion buses soon. RIPTA has retired 8 buses from the 1988 fleet.

Agenda Item 3: RIPTA FY 2005 Budget

Maureen Neira, RIPTA's Chief Financial Officer, presented a revised FY2005 budget, which provided updated estimates for open issues including diesel fuel, federally mandated Americans with Disabilities Act service costs, health insurance, yield per penny of the gasoline tax, and the impending award in the binding interest arbitration with Amalgamated Transit Union.

Ms. Neira updated the Board on RIPTA's ongoing discussions to resolve the dispute with the Department of Elderly Affairs ("DEA") over centralized maintenance costs in the Ride Program. The Board received a copy of RIPTA's position paper justifying the centralized maintenance costs. Ms. Neira stated that it appears doubtful that RIPTA will receive payment in full for the outstanding charges. She noted that the State has taken the position that RIPTA should use its federal capital funds to cover the disputed centralized maintenance

costs. Mr. Moscola noted that RIPTA requires its capital funds for its fleet, particularly with RIPTA's small number of spare buses.

Mr. Batting stated that the DEA has questioned why maintenance costs have reached approximately \$14,000 per Rlde vehicle. Mr. Moscola noted that the actual cost is in the range of \$9,000 - \$10,000 and that the State Budget Office incorrectly derived the \$14,000 figure.

Mr. Deller questioned whether RIPTA and the funding agencies ever agreed to the cost of centralized maintenance as part of the 2003 procurement that awarded the Rlde provider contracts. Ms. Neira responded that the RFP was open-ended as to the rate for centralized maintenance. She also reminded the Board that RIPTA made several attempts beginning in the fall of 2003 to schedule meetings with DEA in order to discuss the billing issues.

Mr. Moscola stated that RIPTA has undertaken substantial work to maintain the Rlde fleet and ensure the safety of vehicles. When the new Rlde Program took effect in June 2003, RIPTA assumed the responsibility for the repair of numerous vehicles that were in very poor condition. Mr. Moscola stated that RIPTA's "shop rate" for maintenance service is considerably lower than the charges of dealers and repair shops in the private sector.

Senator Connors stressed that the costs to maintain Rlde vehicles

differ significantly from automobiles. He complimented RIPTA for its maintenance initiatives to improve the RIde fleet's reliability, and recognized that RIPTA had to bring the condition of the vehicles up to a baseline standard.

Mr. Moscola stated that the funding agencies using the RIde services must be willing to pay the costs of maintaining safe and reliable vehicles, and he also reminded the Board that the FTA requires that RIPTA maintain its assets. He reiterated that RIPTA does not want to cut RIde service, but he is concerned that reduction measures may be necessary if the funding agencies will not pay for the costs of the program.

Ms. Wells and Mr. Batting inquired about the projections in the FY2005 budget regarding the impacts of centralized maintenance costs. Ms. Neira responded that RIPTA projects a lower figure than the FY2004 shortfall based on reviews of labor and parts costs.

Following the discussion on the centralized maintenance issues, Ms. Neira provided the Board with an overview of the staff summary relating to the FY 2005 budget. RIPTA has assumed fuel costs at \$1.41 per gallon, which is a 23.6% increase. RIPTA has estimated that ADA costs will increase by \$500,000 in FY 2005. The State of Rhode Island, which negotiates the health insurance contracts, provided RIPTA with an estimated 12% increase effective 1/1/05. RIPTA should

have additional information in September 2004 about the health insurance costs. RIPTA has made no changes to its projection of the gas tax yield in its revised FY 2005 budget. RIPTA has utilized the gas tax subsidy at the yield set at the May 2004 Revenue Estimating Conference. RIPTA has revised estimated pension costs to project an increased 2% pension benefit increase for ATU employees. Pending the results of the ATU interest arbitration, RIPTA has increased its wage estimates by an additional \$435,000 in the revised FY 2005 budget. Based on RIPTA's updated cost estimates, Ms. Neira reported that the FY2005 budget reflects a \$1.75 million deficit.

Mr. Batting stated that the revised budget has reached \$74 million. He reviewed the recent history of increases RIPTA's budgetary expenditures. He presented a pattern of increased spending in the face of continuing declines in ridership. Mark Therrien, RIPTA's Director of Planning, stated that RIPTA's ridership has not been declining.

Ms. Wells stated that the Board must not focus only on fare box revenues, but it must also remain aware of the significant funds that RIPTA receives from prepaid services such as its UPASS contracts.

Mr. Deller stated that RIPTA will have to readjust and refine its budget as FY2005 progresses and more specific information becomes available on issues such as ADA and fuel costs. Mr. Moscola reminded the Board that if service cuts become necessary, public

hearings must occur beginning in September 2004. Mr. Deller stressed that the Board must adopt a budget at this time.

Mr. Batting expressed his concerns that the Board has not received complete information relating to capital expenditures, including projected uses of the recently acquired Jake Kaplan/Providence Lumber properties. Senator Connors stated that the capital issues would be discussed as part of agenda item 5.

Senator Connors closed discussion on the FY 2005 budget and requested a vote on its adoption. The Board approved the FY 2005 budget with Mr. Batting and Ms. Wells casting dissenting votes.

Agenda Item 4: FY2005 Deficit Reduction Options

Because the FY 2005 budget projects a potential \$1.75 million deficit, RIPTA must be prepared for the possibility of service cuts to address its budgetary crisis. RIPTA's staff presented the Board with a booklet entitled FY 2005 Budget Deficit Reduction Options, which outlined the following potential service reduction scenarios: (1) reduction of service based on productivity rankings, (2) reduction of service based on the goals of retaining work trips and avoiding service duplication, (3) a combination of reductions based on the

elimination of duplicate trolley routes and 10 route segments by ranking.

The Board discussed the fact that the trolley services duplicate transportation provided by RIPTA buses. Mr. Moscola explained that if the trolley routes were eliminated, the vehicles would be redistributed elsewhere in the system. Mr. Moscola stressed the importance of coordinating any service reductions with labor work assignment selections prescribed by the collective bargaining agreements.

The Board discussed in detail the inherent conflicts between operating a “public” transit service and trying to balance “bottom line” fiscal concerns. All Board members agreed that any service reductions should be a last resort, and the Board remains fully cognizant of the adverse impacts of any cuts on diverse segments of Rhode Island’s citizenry. The Board then took a roll call vote on the authorization to allow staff to commence the public hearing process. All members reaffirmed their commitment to protecting public transportation to the fullest extent possible under the budgetary crisis facing RIPTA. Mr. Kennedy strongly urged Board Members to attend the public hearings.

By a 4-3 vote, the Board authorized the commencement of the public hearing process. Mr. Deller, Ms. Wells, Director Capaldi and Mr. Batting voted to authorize the public hearings, and Senator Connors,

Representative Coogan, and Mr. Kennedy dissented.

As Chair of the Board, Senator Connors offered concluding remarks about the difficult issues facing RIPTA. He expressed his commitment to attend public hearings and listen to the public's concerns. He stated that he opposed the vote to authorize the public hearings because he fears the short- and long-term consequences of any service cuts on RIPTA's viability. Ms. Wells noted that she shares Senator Connors' concerns. She voted to authorize the public hearings simply because RIPTA appears to have no other choice but to consider the unfortunate reality that service cuts may be the last resort to resolve the budget crisis.

Agenda Item 5: FY 2006-2010 Capital Budget

Ann Marie McMahon of RIPTA's Finance Department presented RIPTA's Capital Budget for FY 2005 – FY 2010, which will be submitted to the State for inclusion in the Governor's Capital Plan. Ms. McMahon noted that the bus replacement plan is based on current uses, not any projected service cuts. RIPTA may need to reevaluate the timing of the bus replacement plan in the event of service reductions. As to building improvements, RIPTA is formulating its strategic planning for the development of the recently acquired Jake Kaplan/Providence Lumber properties. Another

important initiative will entail the purchase and enhancement of new fare collection equipment.

Mr. Kennedy moved for the approval of RIPTA's FY 2006-2010 Capital Budget, which Representative Coogan seconded. The motion passed unanimously.

Agenda Item 6: RFP 04-30 Bus Transit ITS Management Consultant

Edward Scott, RIPTA's Director of Specialized Transportation, presented RIPTA's procurement of contract for a Bus Transit Intelligent Transportation System ("ITS") Management Consultant. RIPTA staff recommended to the Board that it award the contract to Macro Corporation of Chalfont, Pennsylvania. Mr. Scott stated that RIPTA must upgrade its ITS technology in areas such as automated vehicle location, web based trip planning, and real time customer information. He noted that the integration of upgraded ITS systems should ultimately result in operational cost savings of approximately \$895,000 annually.

Mr. Batting expressed his concerns about the costs of the project, which will include the hiring of additional personnel. Mr. Moscola responded that RIPTA is sensitive to the costs concerns, but he stated that RIPTA must modernize its ITS management system to improve operational efficiencies, customer service and fleet reliability.

Mr. Deller moved to award the consultant contract to Macro Corporation, which Mr. Kennedy seconded. The motion passed 6-1 with Mr. Batting voting against the award.

Agenda Item 7: Signatory Authorization for Travelers' Life & Annuity

Pursuant to the Board's suggestion at its June 2004 meeting, RIPTA staff arranged to have RIPTA's Board Chair and Treasurer added as authorized signatories to request the use of assets in the Travelers Life & Annuity Hourly Employee Pension Plan. Mr. Deller moved for approval of the authorization, which Representative Coogan seconded. The motion passed unanimously.

Agenda Item 8: Review of JPB Agenda/RIPTA Representation at JPB Meeting

Mr. Richard stated that the RIPTA Board should ensure that it has full representation at the meetings of the Joint Pension Board ("JPB"). He noted that the Pension Plan Trust Agreement authorizes RIPTA to designate temporary alternate employer representatives to attend a JPB meeting in the event that any of its designated JPB representatives cannot be present.

Mr. Richard also alerted the Board to the unresolved issues relating to the benefits request of Robert Bushee. Mr. Richard noted that pension request concerns disputed legal issues relating to the effect of a Qualified Domestic Relations Order (“QDRO”) on Mr. Bushee’s claim for benefits. During the June meeting of the JPB, Amalgamated Transit Union stated its intention to request that the JPB authorize the use of pension plan assets to pay the union’s legal fees in this disputed individual pension request.

Mr. Richard reiterated his legal opinion that the Trust Agreement does not support the payment of the union’s legal fees. He stated that the Trust Agreement authorizes only the payment of legal fees and expenses charged by counsel employed for the benefit of the JPB collectively, not by either RIPTA or the unions individually.

Mr. Kennedy reiterated his position, as stated during prior RIPTA Board and JPB meetings, that the Trust Agreement supports the payment of the union’s legal fees in a pension dispute. Mr. Deller disagreed and stated that the intent was only to pay JPB legal fees incurred as part of pension plan administration. Representative Coogan inquired whether this issue could be tabled for review at a later date, and Mr. Richard responded that the JPB, as Plan Administrator must determine when, if at all, it intends to take a vote on the legal fee issue. Mr. Richard stated that he was advising the RIPTA Board of the dispute so that management could openly discuss its viewpoints on this important matter.

Mr. Kennedy requested that counsel confirm that the JPB is authorized to take a vote on the resolution of the legal fee issue. Mr. Richard and Labor Counsel Stacie Collier confirmed that the JPB has the contractual authority to vote on the issue pursuant to its powers as the Administrator and Trustee of the Pension Plan.

Mr. Richard also stated his legal position that it would be a dangerous precedent to approve any legal fees out of plan assets without itemization of the costs. He stated that the union was essentially requesting a “blank check” authorization to pay its legal fees in the pension dispute.

Mr. Richard concluded his presentation by informing the Board that Ms. Conard Wells would be unable to attend the JPB’s meeting later in the day and suggested that the Board appoint a temporary substitute to attend the meeting. Mr. Batting moved that Senator Connors attend the JPB meeting on RIPTA’s behalf, which Mr. Kennedy seconded. The motion passed unanimously.

Agenda Item 9: Public Comment Period

Senator Connors requested public comments. No comments were received.

Agenda Item 10: Executive Session Pursuant to R.I.G.L. § 42-46-5(a)(2)

Mr. Richard suggested that the Board move to convene an executive session to discuss the status of the claims matters pending in Rhode Island Superior Court. Mr. Deller moved that the Board convene an executive session, which Mr. Batting seconded. A roll call vote was taken. The Board voted unanimously to convene an executive session.

Agenda Item 11: Adjournment

Following the completion of the executive session, Mr. Deller moved to seal the executive session minutes, which Director Capaldi seconded. The motion to seal passed unanimously.

Mr. Deller moved to adjourn the Board meeting, which Director Capaldi seconded. The motion to adjourn passed unanimously.

Respectfully submitted,

Ellen M. Farrell

Secretary to the Board